2007 is going to be a great year for the equity markets. You heard it here.

I’m not a perennial bull. I have questions about 2008 and we’re working on delineating the sound from the noise for you.

In the meantime, if you did 10-15% last year in 2006, yes, you’re keeping up with the “Joneses.” If you’ve been cuddling bonds, you are about to experience more pain and loathing on top of a disappointing 2006. And yes, you’ll have to listen to your neighbor again all year telling you about how he made 40% for the fifth year in a row last year. Yes, your neighbor is lying.

For some reason, many people use the equity markets to boost their egos. I don’t know why. If they were literally pulling 40% a year, after several years, they’d be richer than Bill Gates, literally. Are they? Well then, they’re lying. Let them be delusional. Nod your head in agreement when they’re talking, but be thinking forward, not in retrospect.

Your neighbors tend to forget the losses they incur and only remember their “big wins.” It’s a common thing. Look for people that admit they took a spanking at one time or another and listen to what they learned from it. You’ll be far better off.

2007 will be marking the 4th rolling-year of a nice bull-market rally. Rates are still historically low, and P/E multiples are still low considering the strength, and soundness, of corporate earnings. We will likely have a quick, sharp market drop in late spring or early summer, but it will be a buying opportunity.

Congress will be at a standstill, and pass nothing meaningful again (except another pay raise for themselves, I’m sure). Ironically, political idleness is a GOOD thing for the investment markets.

Expect more mergers and acquisitions this year. 2006 was just the beginning. This will create some support for value stocks in 2007. We believe there will be a performance drift towards growth late this year, however, first in mid-caps and then edging into large-caps. Overall, we believe value will be the winning asset style for 2007 by year-end.

Your neighbor will tell you he’s still worried about the real estate market, the dropping dollar and inflation pouring us into a recession. Ignore him. Go to your happy place. Egomaniacs tend to all end up in the same place. You don’t want to be there.

Be bullish. Be ready.